

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

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RICHARD SUTHERLAND; CLIFF §
WOODWORTH; JOE & DONNA HANES; §
CARL J. TOLSON & XIAOSHAN GUO; §
ROGER DEAN; BETTY CALLEN; ROBERT §
STEPHENS; TERRENCE P. KANE; §
WILLIAM & NANCY PECHE; HARVEY §
BRASWELL; DARRELL CROW; FRED §
CHAPPLE; JAMES RICERCATO; RON §
TROMBO; TERI NAGLE and DONNA J. §
MILLER §

Plaintiffs §

vs. §

ALLEN PETTY, JR., A/K/A AL PETTY; §
SABRINA WEI; INDEPENDENCE 2000 §
AMERICA, INC. D/B/A TELECOM 2000 §
NETWORK; TELECOM 2000 TOTAL §
COMMUNICATIONS NETWORK; §
AL PETTY, TRUSTEE OF TYLER §
TRANSIT TRUST; FACE TO FACE §
MINISTRIES; and THE CHURCH OF §
JESUS CHRIST'S DISCIPLES, A/K/A §
CHRISTIAN DISCIPLES INTERNATIONAL §

Defendants §

CIVIL ACTION NO. 2:02cv98
2-02cv-98

**ORIGINAL COMPLAINT AND APPLICATION FOR TEMPORARY
RESTRAINING ORDER AND PRELIMINARY INJUNCTION**

Plaintiffs Richard Sutherland, Cliff Woodworth, Joe & Donna Hanes, Carl J. Tolson &
Xiaoshan Guo, Roger Dean, Betty Callen, Robert Stephens, Terrence P. Kane, William & Nancy
Peché, Harvey Braswell, Darrell Crow, Fred Chapple, James Ricercato, Ron Trombo, Teri Nagle and

Donna J. Miller (hereafter collectively referred to as "Plaintiffs") file this action against Allen Petty, Jr., a/k/a Al Petty ("Petty"), Sabrina Wei ("Wei"), Independence 2000 America, Inc. d/b/a Telecom 2000 Network, Telecom 2000 Total Communications Network, Al Petty Trustee of Tyler Transit Trust, Face to Face Ministries, and The Church of Jesus Christ's Disciples, a/k/a Christian Disciples International (collectively referred to hereafter as "Defendants") and would show the Court as follows:

I.

THE PARTIES

1. Plaintiff Richard Sutherland is a resident of California.
2. Plaintiff Cliff Woodworth is a resident of Massachusetts.
3. Plaintiffs Joe & Donna Hanes are residents of North Carolina.
4. Plaintiffs Carl J. Tolson and Xiaoshan Guo are residents of Pennsylvania.
5. Plaintiff Roger Dean is a resident of Alabama.
6. Plaintiff Betty Callen is a resident of Oklahoma.
7. Plaintiff Robert Stephens is a resident of Washington.
8. Plaintiff Terrence P. Kane is a resident of Ohio.
9. Plaintiffs William and Nancy Peché are residents of Texas.
10. Plaintiff Harvey Braswell is a resident of Texas.
11. Plaintiff Darrell Crow is a resident of Massachusetts.
12. Plaintiff Fred Chapple is a resident of Maryland.
13. Plaintiff James Ricercato is a resident of Massachusetts.

14. Plaintiff Ron Trombo is a resident of Florida.
15. Plaintiff Teri Nagle is a resident of Florida.
16. Plaintiff Donna J. Miller is a resident of California.
17. Defendant Petty is an individual and resides at 23927 County Road 223, Overton, Texas 75684.
18. Defendant Wei is a Canadian citizen and is believed to reside at 23927 County Road 223, Overton, Texas 75684.
19. Defendant Independence 2000 America, Inc. d/b/a Telecom 2000 Network is a Texas corporation and may be served through its registered agent Allen Petty, Jr., 23927 County Road 223, Overton, Texas 75684.
20. Defendant Telecom 2000 Network d/b/a Telecom 2000 Total Communications Network is an unidentified business entity doing business in the State of Texas.
21. Defendant Al Petty, Trustee of Tyler Transit Trust resides at 23927 County Road 223, Overton, Texas 75684.
22. Defendant Face to Face Ministries is an unidentified business entity doing business in the State of Texas.
23. Defendant The Church of Jesus Christ's Disciples a/k/a Christian Disciples International is an unidentified business entity doing business in the State of Texas.

II.

JURISDICTION AND VENUE

24. Venue is proper in the Eastern District of Texas pursuant to 28 U.S.C. § 1391(b) as a substantial part of the events giving rise to these claims occurred in the Eastern District of Texas. This court has jurisdiction over this matter pursuant to 28 U.S.C. § 1331. This Court has supplemental jurisdiction over certain claims herein pursuant to 28 U.S.C. § 1367.

III.

FACTS

25. Plaintiffs are informed and believe and thereon allege that on August 13, 2001, Petty incorporated Independence 2000 America, Inc. On September 10, 2001, Petty filed with the State of Texas, on behalf of Independence 2000 America, Inc., an assumed name certificate of Telecom 2000 Network. These documents reflect that Petty is the president, registered agent, and sole director of Independence 2000 America, Inc. d/b/a Telecom 2000 Network (hereafter referred to as "Telecom 2000").
26. Telecom 2000 advertises as a total communications network in which a person can purchase cellular phone service, long distance phone service, and a "business" that Petty guarantees will produce financial independence for the investor. (The new business owner is identified as a "rep" in Telecom 2000. The rep is not required to perform any type of service in connection with the purchase of the Telecom 2000 "business." However, a rep can become a "sponsor" by soliciting other individuals to purchase Telecom 2000 businesses.)

27. Petty and Telecom 2000 guarantee earnings of 500% to 1100% of the investor's initial investment.
28. Potential investors in Telecom 2000 are solicited through several methods, including random telephone solicitation, internet advertisements, and fax blasting (use of facsimile machines with automatic dialing equipment). All potential investors must first listen to a 14 minute recording played on the telephone. Sponsors of Telecom 2000 contact as many people as possible in an attempt to encourage them to listen to the 14 minute recording. Many of the sponsors use automatic dialers to contact potential investors, playing the recording. Some individuals obtain a toll-free number from internet advertisements and listen to the recording upon calling that number. The 14 minute recording is used as a screening device to identify individuals who might be inclined to invest in Telecom 2000.
29. Telecom 2000 sponsors are instructed that if a potential investor listens to the entire 14 minute recording and then takes the next step, they are interested. The next step is to contact Telecom 2000 by telephone. During this telephone call, the potential investor provides background information, including the investor's name, telephone number and fax number, to a Telecom 2000 employee.
30. An information sheet entitled "Ticket to Our Opportunity Conference Call" is then sent by facsimile or email to the potential investor. The background information concerning the investor is faxed to the potential investor's sponsor. The sponsor is encouraged to telephone the potential investor to promote the Telecom 2000 program.

31. Before investing in Telecom 2000, the potential investor must participate in a national conference call conducted by Petty. Petty conducts these conference calls three times a week. The conference call includes all new potential investors and many of the experienced sponsors. The conference call lasts approximately three hours and is a promotional session moderated by Petty.
32. If a potential investor wants to invest, another flyer, called the "Rest of the Story" is faxed to the investor. This flyer contains applications and additional information concerning how to invest in Telecom 2000. Telecom 2000 purports to offer a business opportunity wherein it guarantees the success of the business with earnings of 500%-1100% annualized return on a one time, out-of-pocket cost.
33. When an investor purchases a Telecom 2000 business, identified as a "Pro 01," for \$1,185.94, Telecom 2000 promises to reimburse the investor for eleven months of basic cell phone and interstate long distance service, plus specified other guaranteed earnings over a six month period. If the investor were to purchase a Pro2 or higher position, Telecom 2000 promises to reimburse the investor for twenty-three months of basic cell phone and interstate long distance service, plus other guarantees of income. For the Pro1 package, the investors are to receive a total of \$3,779.34. As noted above, the new business owner is identified as a "rep." A rep can upgrade his/her business by purchasing additional businesses in increments of one or more, at a cost of approximately \$1,000.00 for each additional business, i.e., update to Pro 02, Pro 03, Pro 04, up to a Pro 50. Petty advertises that a purchaser can come into the program as a Pro 50 at a cost of \$51,869.81, with a guaranteed return of

\$297,972.24 in six months. In addition, for each Pro 01 a sponsor brings into the organization, the sponsor receives a guaranteed payment of \$3,625.00.

34. At various times between approximately October 1, 2001 and the date of this Complaint, the Plaintiffs herein incurred expenses and suffered unreimbursed investments in Telecom 2000 in the following amounts:

Richard Sutherland	\$ 78,000.
Cliff Woodworth	20,500.
Joe & Donna Hanes	35,429.
Carl J. Tolson & Xiaoshan Guo	27,896.
Roger Dean	45,546.
Betty Callen	11,591.
Robert Stephens	5,157.
Terrence P. Kane	11,040.
William & Nancy Peche	36,740.
Harvey Braswell	10,159.
Darrell Crow	27,169.
Fred Chapple	5,557.
James Ricercato	13,759.
Ron Trombo	25,634.
Teri Nagle	20,415.
Donna J. Miller	31,000.

35. Despite Telecom 2000's representations of guaranteed returns, the Plaintiffs have not received the performance promised by Telecom 2000 or have suffered out-of-pocket damages caused by Telecom 2000 in the amounts set forth above.
36. On information and belief, it appears that Telecom 2000 is a type of scheme, commonly referred to as pyramid or Ponzi scheme.¹ In a Ponzi scheme, the entity involved conducts

¹Plaintiffs' allegations that Telecom 2000 is a Ponzi scheme are reinforced by the April 4, 2002, Affidavit of FBI Special Agent James A. Hersley submitted in support of the Government's Motion for the Entry of a Pre-Indictment Temporary Restraining Order in In Re: Certain Assets of Allen Petty, Jr., a/k/a Al Petty in Cause No. 6:02 CV 148 in the United States District Court for the Eastern District of Texas - Tyler

no legitimate business with which to generate return for investors. Instead, early investors are paid off utilizing funds supplied by more recent investors. As the scheme continues, funds are unavailable to pay the growing number of later investors.

37. In addition and as part of the Ponzi scheme being perpetrated by Petty and Telecom 2000, it is believed that certain of Plaintiffs monies are being fraudulently transferred to bank accounts in the names of Defendants Face to Face Ministries and The Church of Jesus Christ's Disciples. The Affidavit of Special Agent Hersley further confirms such activity. Furthermore, Defendant Wei has participated in these activities to convert and defraud Plaintiffs of their monies.

IV.

ALTER EGO

38. Plaintiffs are informed and believe that at all times relevant hereto, Defendant Petty was and is the sole officer and director and the majority (if not sole) shareholder of the corporate Defendants named herein. Further, the individual Defendants named herein, jointly and severally, at all times relevant, have and do completely control, dominate, manage, and operate the corporate and other Defendants named herein. The Defendants named herein have and do intermingle the assets of each and there is such a unity of interest and ownership between and among the Defendants that any individuality and separateness between and

Division. (See Exhibit "A" - J. Hersley Affidavit attached hereto and incorporated herein.) Special Agent Hersley also concluded Telecom 2000 was a Ponzi scheme. In addition, the Honorable T. John Ward issued a Temporary Restraining Order and Temporary Injunction related to certain bank accounts of Defendants herein.

among them has ceased to an extent that they are alter egos of one another. Such alter ego status renders each Defendant herein jointly and severally liable for the damages sought by Plaintiffs.

V.

CAUSES OF ACTION

A. Breach of Contract

39. Each of the Plaintiffs herein entered into a contract with Telecom 2000 whereby Telecom 2000 agreed to perform certain obligations. Those obligations include, but are not limited to, a payment of 500-1100% annualized return on Plaintiffs' initial investment, that Plaintiffs would be reimbursed for the basic amount of Plaintiffs' long distance and cell phone calling plans monthly, commencing 45 days and 50 days, respectively, after the effective date of the contract between Plaintiffs and Defendant. Telecom 2000 further represented and promised to Plaintiffs that it would pay to Plaintiffs a commission of at least \$3,625.00 for each new person enrolled by a Plaintiff in Telecom 2000 as a Pro 01, that is, a person who enrolled to use at least one cell phone and one interstate long distance service. Telecom 2000 further represented that Plaintiffs would receive such payments according to a definite pay chart, that the payments were preprogrammed for automatic payment, that the payments were guaranteed, that the company had the money with which to pay the entire indebtedness, and that all legal requirements had been put in place to ensure full payment to all investors.

40. All conditions precedent to Plaintiffs' recovery under the contract have occurred. Telecom 2000 has breached the contract by not paying Plaintiffs either timely or at all the amounts promised.

B. Fraud

41. Defendants' representations, including its representation of guaranteed payments, that the pay schedules of the Plaintiffs were preprogrammed within twenty-four to forty-eight hours after enrollment, and that Plaintiffs' payment checks were programmed into an automatic payment system, were material representations and were false. Furthermore, Defendants knew the representations were false when made or, alternatively, made such representations recklessly without any regard for the truth. Defendants made these representations with the intention that they should be relied upon. Plaintiffs acted in reliance upon the truth of Defendants' statements, were justified in doing so, and have suffered damages as a result of such false statements.

C. RICO Violations

42. Each of the Plaintiffs and Defendants herein is a "person" as that term is described in § 1961(3) of RICO, 18 U.S.C. § 1961(3).
43. At all times relevant to the events alleged in this Complaint, Defendants were associated with an "enterprise" as that term is defined in § 1961(4) of RICO, 18 U.S.C. § 1961(4), which was engaged in interstate and foreign commerce and the activities of which affected interstate and foreign commerce. For purposes of this claim, the enterprise consisted of Telecom 2000.

44. Defendants' conduct violates § 1962(a-d) of RICO. Defendants engaged in such violations of § 1962(a-d) of RICO through a pattern of racketeering activity as that term is defined in § 1961(1)(B) and (D) and § 1961(5) of RICO. The racketeering activity in which Defendants engaged and/or conspired to engage includes, but is not limited to:
- a. Acts of mail fraud in violation of 18 U.S.C. § 1341 by, among other things, placing literature and documents in the United States Mail, through the United States Postal Service, with the intent to defraud others of money by means of false or fraudulent pretenses, representations, or promises;
 - b. Acts of wire fraud in violation of 18 U.S.C. § 1343 by, among other things, transmitting or causing to be transmitted by means of wire, radio or television communication in interstate or foreign commerce, writings, signs, signals, pictures, or sounds for the purpose of effectuating a scheme or artifice to defraud by means of false or fraudulent pretenses, representations, or promises;
 - c. Acts of bank fraud in violation of 18 U.S.C. § 1344 by, among other things, knowingly executing, or attempting to execute, a scheme or artifice to defraud a financial institution or to obtain any of the monies, funds, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises;
 - d. Acts of money laundering in violation of 18 U.S.C. § 1956 and 1957, by participating in a scheme to steal Plaintiffs' monies by participating in numerous monetary

transactions and knowing that the purpose of those transactions was to conceal the origin and ownership of the funds;

45. The above described predicate acts all occurred after the effective date of RICO (October 15, 1970) and within ten years of each other. Each of Defendant's racketeering activities was undertaken for the purpose of the common scheme of stealing millions of dollars from Plaintiffs and other investors. Each such act or racketeering activity had similar results impacting similar victims, namely other investors, was part of a recurring pattern of similar schemes and thus constituted a pattern of racketeering activity as that term is defined in § 1961(5) of RICO.
46. As a direct and proximate result of Defendants' activities and conduct in violation of § 1962(a-d) of RICO, Plaintiffs have suffered damages. Under the provisions of § 1964(c) of RICO, Plaintiffs seek to recover herein treble damages of at least \$6,600,000 and the cost of bringing this action, including reasonable attorneys' fees.

D. Unjust Enrichment

47. As set forth above and incorporated herein, Defendants have obtained funds and utilized funds which belong to the Plaintiffs. The Defendants will be unjustly enriched in the amounts claimed by Plaintiffs if allowed to retain the benefit conferred on them.

E. Conversion

48. As set forth in the paragraphs above and incorporated herein, Defendants have utilized money belonging to Plaintiffs in order to perpetrate and continue Defendants' scheme or artifice. Accordingly, Defendants have exercised possession and control over monies that

belong to Plaintiffs without the proper right to do so and therefore have converted those monies.

F. Constructive Trust

49. As detailed above and incorporated herein, Defendants have used a scheme or artifice to defraud Plaintiffs of their monies and property. Plaintiffs hereby ask this Court to impose a constructive trust upon the property and monies, and the proceeds therefrom, obtained by Defendants from Plaintiffs.

G. Attorneys' Fees

50. Pursuant to 18 U.S.C. § 1964 and Texas Civil Practice & Remedies Code § 38.001, Plaintiffs hereby seek to recover the costs incurred in prosecuting this lawsuit, including reasonable attorneys' fees.

H. Actual and Punitive Damages

51. Based on the foregoing causes of action as detailed above and incorporated herein, Plaintiffs hereby seek actual damages in an amount not less than \$2,200,000. Plaintiffs further seek treble damages pursuant to RICO in an amount not less than \$6,600,000. Furthermore, Plaintiffs seek exemplary damages because Defendants' actions resulted from malice and fraud.

I. Civil Conspiracy

52. The Defendants herein acted in concert in a civil conspiracy to defraud Plaintiffs of their monies. The conspiracy consisted of two or more persons to accomplish an unlawful

purpose or to accomplish a lawful purpose by unlawful means. As a result of the conspirators' actions, Plaintiffs have suffered damages as detailed below.

J. Application for Temporary Restraining Order and Preliminary Injunction

53. Plaintiffs hereby ask this Court to issue a Temporary Restraining Order and Temporary Injunction enjoining Defendants and any of their employees, agents, or any other person acting at their direction, from spending, selling, transferring, assigning, encumbering or otherwise attempting or completing any action that would affect or diminish the marketability or value of property or assets of the Defendants. In addition, Plaintiffs request that Defendants be prohibited and enjoined from selling, transferring, assigning, encumbering or otherwise disposing of property, money, or assets, or attempting to do so, held in or by the following:

1. Checking account number 1421255, in the name of Independence 2000 America, Inc. d/b/a Telecom 2000 Network at Southside Bank, Tyler, Texas;
2. Checking account number 1422294, in the name of Face to Face Ministries, at Southside Bank, Tyler, Texas;
3. Checking account number 1421646, in the name of The Church of Jesus Christ's Disciples, an unincorporated church, a/k/a Christian Disciples International, at Southside Bank, Tyler, Texas; and
4. Checking account number 1406175, in the name of Allen Petty, Jr. d/b/a Telecom 2000 Network, at Southside Bank, Tyler, Texas;

5. Any funds held in the name of any Defendant, or their employees, agents, or any other person acting at their direction, held by X-Change Reciprocal Services, L.L.C.;
 6. Any funds held in the name of any Defendant, or their employees, agents, or any other person acting at their direction, held by Evocash;
 7. Any funds held in the name of any Defendant, or their employees, agents, or any other person acting at their direction, held by U.S. Bank in Portland, Oregon;
 8. Any cashier's checks, money orders and cash in the possession or under the control of the Defendants, any or all of which was obtained from investors.
54. There is a substantial likelihood of Plaintiffs' success on the merits. Plaintiffs' investigation, along with the Affidavit of FBI Special Agent James A. Hersley, submitted in support of the Government's Motion for Entry of a Pre-Indictment Restraining Order, strongly indicates that Telecom 2000 is a Ponzi scheme and Defendants have committed a breach of contract, fraud, and RICO violations with respect to Plaintiffs. Plaintiffs have not collected the money owed to each of them despite Defendants' repeated representations of guaranteed payments.
55. The Temporary Restraining Order and Temporary Injunction are necessary to prevent irreparable injury. As outlined in Mr. Hersley's affidavit, Telecom 2000 may have procured as much as \$10.5 million dollars through its Ponzi scheme. However, the location of those monies is unknown, except for approximately \$1,000,000 located at Southside Bank in Tyler, Texas. It appears as though much of the money may be transferred out of the United

States and/or this Court's jurisdiction through the use of entities such as X-Change Reciprocal Services, L.L.C. and Evocash, on-line banking services commonly known to transfer monies to offshore accounts. In addition, subsequent to the issuance of the Temporary Restraining Order in In Re: Certain Assets of Allen Petty, Jr., multiple cashier's checks have been cashed at the U.S. Bank in Portland, Oregon and endorsed to X-Change Reciprocal Services, L.L.C. This indicates Defendants' intent to remove assets and monies from this Court's jurisdiction and to potentially move those funds to offshore or overseas accounts. (See Exhibit "B" - copies of cashier's checks endorsed to X-Change Reciprocal Services and cashed at the U.S. Bank in Portland, Oregon.)

56. The threatened harm to Plaintiffs if a Temporary Restraining Order and Temporary Injunction is not issued far outweighs the harm such remedy would inflict on Defendants. Plaintiffs believe the Defendants named herein to be individuals or entities for which their primary worth or assets were derived from the aforementioned Ponzi scheme. The potential dissipation and/or transfer of these monies out of the jurisdiction of this Court would leave Plaintiffs with no alternatives for the recovery of those monies. Furthermore, a Temporary Restraining Order and Temporary Injunction would serve the public interest in that it would prevent further harm to potential investors.
57. Plaintiffs hereby ask this Court to issue a Temporary Restraining Order Ex Parte because Plaintiff will suffer irreparable injury, loss, or damage before a hearing can be held. Any attempt to give notice regarding Plaintiffs' intentions to obtain a Temporary Restraining Order would allow Defendants to further transfer, spend or dissipate the monies at issue.

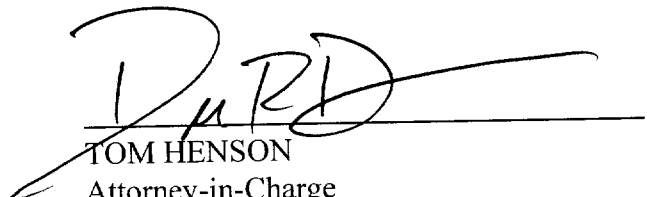
58. Plaintiffs hereby attest to their willingness to post a bond as directed by this Court.

VI.

59. Plaintiffs hereby request a trial by jury pursuant to Federal Rule of Civil Procedure 38.

WHEREFORE, Plaintiffs pray for the recovery of actual and exemplary damages, pre- and post-judgment interest at the maximum rate allowed by law, costs of court and attorneys' fees as the Court finds appropriate under applicable law, entry of a Temporary Restraining Order and Preliminary Injunction prohibiting the transfer or disposition of certain assets and/or monies held by the Defendants, and for such other relief as the Court finds just in law or in equity.

Respectfully submitted,


TOM HENSON
Attorney-in-Charge
State Bar Card No. 09494000
DERON R. DACUS
State Bar No. 00790553

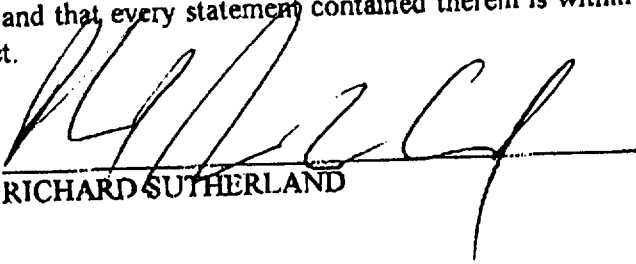
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ATTORNEYS FOR PLAINTIFFS

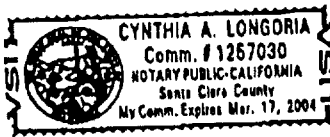
VERIFICATION


State of California §
County of Santa Clara §

Before me, the undersigned notary public, on this day personally appeared Richard Sutherland, who being by me duly sworn on oath deposed and said that he has read paragraphs III. and V. J. of the above and foregoing Original Complaint and Application for Temporary Restraining Order and Temporary Injunction and that every statement contained therein is within his personal knowledge and is true and correct.


RICHARD SUTHERLAND

SUBSCRIBED AND SWORN to before me on this the 15th day of May, 2002, to which witness my hand and official seal of office.




Notary Public, State of California

Printed Name of Notary: CYNTHIA A. LONGORIA

My Commission Expires:

3-17-04

Original Complaint
#132008

EXHIBIT
“A”

AFFIDAVIT OF JAMES A. HERSLEY

Being duly sworn, affiant states:

1) I, James A. Hersley, am a Special Agent of the Federal Bureau of Investigation (FBI), and have been so employed for approximately twenty-seven years.

2) I am currently assigned to the Dallas Division, Tyler Resident Agency, investigating individuals involved in fraudulent activity in violation of Federal criminal laws.

3) I am currently investigating possible violations of 18 U.S.C. Sections 1341 (mail fraud), 1343 (wire fraud), 1956 (money laundering), and 1957 (financial transactions with the proceeds of fraud) by Allen Petty, Jr., also known as Al Petty (herein after referred to as Petty).

4) Petty is a male born July 29, 1933, with a mailing address of P.O. Box 308, Overton, Texas 75684. Petty's residence and business are located at 23927 County Road 223, Overton, Texas 75684. On August 13, 2001, Petty incorporated a business named Independence 2000 America, Incorporated. On September 10, 2001, Petty filed an assumed named of TeleCom 2000 Network with the State of Texas. The documentation shows Petty to be the President, Registered Agent and Director of these companies. No other officers were listed as associated with these companies.

5) Petty advertises TeleCom 2000 as being a total communications network in which a person can purchase cellular phone service, long distance phone service, and a business that Petty guarantees will produce financial independence for the

investor. Financial independence is guaranteed by earnings of 500% to 1100% of the initial investment. Even at this stage of the investigation, the following facts indicate that TeleCom 2000 is a scheme to defraud investors by means commonly referred to as a Ponzi Scheme or Pyramid Scheme. Old investors are paid off utilizing funds supplied by new investors. The guaranteed payouts are unobtainable by any standard known to affiant.

6) A Cooperative Witness (CW), who was employed by Petty at the time, advised affiant that Petty is doing business as TeleCom 2000 Network. His business is operated out of a trailer house and another small building located on approximately 20 acres at 23927 County Road 223, Overton, Texas 75684. Petty runs the operation of the business on a daily basis. Petty employs approximately nine employees that work on site at the company in Overton. Information concerning all aspects of the business operation is input into computers located at the company.

7) CW supplied affiant with a video tape recording made during a convention held by TeleCom 2000 during January, 2002, at the Holiday Inn in Tyler, Texas. The video tape is labeled "TeleCom 2000, Teaching the Teachers." The CW also supplied affiant with two pamphlets distributed by TeleCom 2000 Network. The pamphlets are captioned "Ticket to our Opportunity-Conference Call" and "Rest of the Story."

8) In the video and the two pamphlets that were provided to affiant, Petty purports to offer a business opportunity wherein he guarantees the success of the business with earnings of 500%

to 1100% annualized return on a one-time, out-of-pocket cost. When an investor purchases a TeleCom 2000 Business, identified as a "Pro01," for \$1315.88, TeleCom 2000 provides the purchaser with a cell phone and guarantees that TeleCom 2000 will reimburse the owner for the cost of the cell phone and long distance service for one year, plus specified other guaranteed earnings over a six month period. The investors are to receive a total of \$3,779.34. The new business owner is identified as a "rep." A rep can upgrade his/her business by purchasing additional businesses in increments of one or more, at a cost of approximately \$1,000 for each additional business, i.e., upgrade to Pro02, Pro03, Pro04, up to a Pro50. Petty advertises that a purchaser can come into the program as a Pro50 at a cost of \$51,869.81, with a guaranteed return of \$297,972.24 in six months. A rep is not required to perform any type of service in connection with the purchase of the TeleCom 2000 Business. However, a rep can become a "sponsor" by soliciting other individuals to purchase TeleCom 2000 businesses. For each Pro01 a sponsor brings into the organization, the sponsor receives a guaranteed payment of \$3,625.

9) Although Petty promotes TeleCom 2000 as selling genuine businesses, it is difficult to discern what business activity is being sold. On the videotape, Petty explains that TeleCom 2000 furnishes its investors with: (1) A fourteen minute recorded message that one can call 24 hours a day; (2) "all the literature that it takes"; (3) conference calls that TeleCom 2000 conducts

on a regular basis with potential investors and sponsors; (4) the "Rest of the Story" pamphlet with all the applications and contracts needed for the business; (5) the payment charts. TeleCom 2000 also guarantees to give five reps to new businesses. Petty advises that reps should be interested in building their businesses, but may choose to simply rely upon the TeleCom 2000 guarantee.

10) Investors in TeleCom 2000 are solicited through several methods, including random telephone solicitation, Internet advertisements and fax blasting (use of facsimile machines with automatic dialing equipment). All potential investors must first listen to a fourteen minute recording played on the telephone. Sponsors of TeleCom 2000 contact as many people as possible in attempt to encourage them to listen to the fourteen minute recording. Many of the sponsors use automatic dialers to contact potential investors, playing the recording. Some individuals obtain a toll free number from Internet advertisements and listen to the recording upon calling that number. The fourteen minute recording is used as a screening device to identify individuals that might be inclined to invest in this type scheme. Petty tells TeleCom 2000 sponsors that if a potential investor listens to the entire fourteen minute recording and then takes the next step, they are interested. The next step is to contact TeleCom 2000 in Overton, Texas, by telephone. During this telephone call, the potential investor provides background information, including the investor's name, telephone number and fax number to

a TeleCom 2000 employee. An investor is required to have a fax machine. An information sheet entitled "Ticket to our Opportunity-Conference Call" is then sent by facsimile transmission to the investor. The background information concerning the investor is faxed to the potential investor's sponsor. The sponsor is encouraged to telephone the potential investor to promote the TeleCom 2000 program. Before investing in TeleCom 2000, the potential investor must participate in a national conference call conducted by Petty. Petty conducts these conference calls three times a week. The conference call includes all new potential investors and many of the experienced sponsors. The conference call lasts approximately three hours and is a promotional session moderated by Petty. If a potential investors wants to invest, another flyer, called the "Rest of The Story" is faxed to the investor. This flyer contains applications and additional information concerning how to invest in TeleCom 2000.

11) Affiant has reviewed a list of investors provided by CW. This list includes individuals located throughout the United States. Thus, it appears that interstate telephone wires have been used by Petty.

12) On January 2, 2002, Southside Bank, Tyler, Texas, prepared a Suspicious Activity Report (SAR) regarding Petty. Affiant has reviewed the SAR and the bank records relating thereto. The SAR stated that Petty, a telephone service marketer, conducted a suspicious transaction at the bank on

December 14, 2001. Bank records indicate that on December 13, 2001, two individuals named Paul Erickson and Randall Jarvis opened a charity account under the name, "The Church of Jesus Christ Disciples", an unincorporated church, aka "Christian Disciples International" with \$100 cash. On December 14, 2001, Petty deposited \$372,673.67 to this account. The deposit was in the form of two checks signed by Petty for TeleCom 2000 in the amounts of \$179,078.21 and \$193,595.46. On the same day, Petty entered the bank and opened a charity account in the name "Face to Face Ministries" with Petty and his brother, Daniel Petty, as signors on the account. The Church of Jesus Christ's Disciples then made a donation to Face to Face Ministries in the form of a check in the amount of \$363,356.82, which was deposited by Petty. While discussing the set-up of the accounts, Petty made numerous remarks to employees of the bank indicating that he had to "protect his money from the government, you know how they are" and that this was a vehicle to accomplish that goal. The SAR stated the documentation and demeanor of the individuals involved in these transactions left the employees with suspicions as to the legitimacy of these charitable donations. A few days after the initial transactions, Petty and his brother transferred \$140,000 back to TeleCom 2000 from the Face To Face account as a loan.

13) On March 25, 2002, CW advised affiant that cashiers checks in payment for purchases of TeleCom 2000 businesses are received at TeleCom 2000 on a daily basis via several mail

carriers, including Federal Express, United Parcel Service and the United States Mail. CW furnished copies of computer printouts that show that TeleCom 2000 has been receiving approximately \$170,000 worth of cashier's checks each day from clients.

14) CW advised that until approximately mid January, 2002, receipts from TeleCom 2000 were deposited daily to a business account at a bank. During January, 2002, Petty became concerned about the volume of money being received by the business and began hoarding the cashiers checks received from investors in a desk drawer at the mobile home in Overton. CW reported that the volume of receipts continued to grow until Petty instructed two employees to count the cashiers checks in the desk drawer. CW stated there was approximately four million dollars (\$4,000,000) worth of cashier's checks in the desk at that time. CW stated that Petty and Sabrina Wei, an individual recently employed by Petty to review the TeleCom 2000 business records, took approximately three and half million dollars (\$3,500,000) worth of cashier's checks and left the business on March 7, 2002. CW stated that no one else at the business seems to know what was done with this money. CW has overheard conversations at work indicating that Petty has a bank account offshore somewhere.

15) On March 25, 2002, CW also furnished affiant with a computer printout listing information concerning the sale of approximately 2379 TeleCom 2000 businesses. From an analysis of this information, affiant estimated that TeleCom 2000 has

received approximately \$10.5 million from investors and therefore has guaranteed payments to investors in the amount of approximately \$50 million.

16) On March 31, 2002, Petty distributed a document to several of the employees of TeleCom 2000. In this document, Petty describes what he calls a "Gratitude Pay Plan," which is essentially a severance agreement for his employees. In the agreement, Petty states he will pay each employee gratitude pay for a period of up to ten (10) months. The employee is warned that all gratitude pay to all employees will cease immediately if any employee files suit against TeleCom 2000, Petty, or any entities related to TeleCom 2000 or if anyone makes a negative report to any regulatory agency such as the FBI, Attorney General's Office, Federal Communications Company, Federal Trade Commission, or various other agencies. In the document, Petty notes that investors in TeleCom 2000 have "mortgaged homes and property, maxed out their credit cards, borrowed to the limit, taken all available funds from their IRA's, CD's, stocks and bonds, sent us cashier's checks that were purchased from their life's savings, insurance policies, Social 'Security', quit their jobs - becoming fully dependent on TeleCom 2000 for their livelihood, many of whom have retired from their life-long businesses, vocations and avocations." Petty goes on to say that "hundreds, or thousands of lives will be totally wrecked, declaring bankruptcy, living the balance of their lives under virtual 'poverty conditions', their recently-renewed hopes and

faith in their fellow man will be shattered if those forces who seek to destroy TeleCom 2000 and Al Petty are permitted to do so." Petty also states that he is selling TeleCom 2000 "due to recent events, too complex and debilitating to enumerate, and in order to continue to offer the 'TeleCom 2000 opportunity' on an increasingly effective domestic, as well as global scale." Although Petty does not identify the purchaser, he states that he will continue to serve as an "Executive Consultant."

17) On April 2, 2002, CW advised affiant that Telecom 2000 has moved from the mobile home in Overton, Texas. Based upon Petty's involvement with Sabrina Wei, a Canadian resident, CW believes that the office may now be located in Canada.

18) Affiant reviewed bank records from Southside Bank for account # 1421255, in the name of Independence 2000 America, Inc., D.B.A. TeleCom 2000 Network; and account # 1406175, in the name of Allen Petty, Jr., D.B.A. TeleCom 2000 Network, for the period February 16, 2002 to March 22, 2002. These records reflect deposits totaling \$3,603,509. A review of currency receipts for TeleCom 2000, furnished by CW, for the same period of time, shows currency receipts totaling \$7,138,835. Affiant does not yet know where the additional \$3,535,326 is located; however, on April 3, 2002, an employee of Southside Bank advised that significant amounts remain in the accounts mentioned above.

19) Based on affiant's investigation to date, including representations made by Petty in the video presentation and the pamphlets reviewed by affiant, it appears that TeleCom 2000 is

actually a type of scheme commonly referred to as a Ponzi scheme. In a Ponzi scheme, the entity involved conducts no legitimate business with which to generate return for investors. Instead, early investors are paid off utilizing funds supplied by more recent investors. As Ponzi schemes continue, funds are unavailable to pay the growing number of later investors. Ponzi schemes typically use the United States mail or interstate wires and are thus often prosecuted under the federal mail fraud and wire fraud statutes. Based on information received during this investigation to date, Petty appears to be operating a Ponzi scheme relying on new investors to pay old investors. It appears to be mathematically impossible for TeleCom 2000 to continue paying investors the guaranteed return.

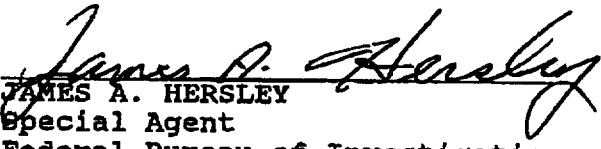
20) Even at this stage of the investigation, it appears that Petty is involved in a telemarketing scheme to defraud investors of their money and has caused the United States mail service and interstate wires to be used to further that scheme. Moreover, the financial transactions conducted by Petty appear to constitute federal money laundering violations. This is because mail fraud and wire fraud are racketeering activities as defined in 18 U.S.C. Section 1961(1), which is a specified unlawful activity for the purposes of money laundering statutes pursuant to 18 U.S.C. Section 1956(c)(7)(A) and 18 U.S.C. Section 1957(f)(3). As an FBI agent I am aware that most financial transactions involving the proceeds of specified unlawful activities constitute money laundering offenses. Further I am

aware that under 18 U.S.C. 982 all property involved in such money laundering violations is subject to forfeiture upon a defendant's conviction for money laundering. Property subject to forfeiture under these statutes is subject to restraint. Likewise, under 982(a)(8) property may be forfeited if a defendant is convicted of an offense under section 1341 or 1343 when the offense involves telemarketing. Property subject to forfeiture under these statutes is also subject to restraint.

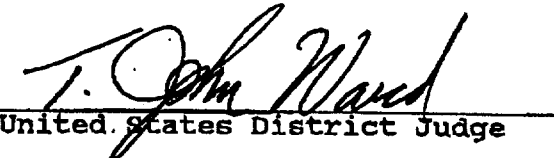
21) Even at this stage of the investigation, it appears that Petty may have committed mail fraud and wire fraud involving telemarketing and money laundering violations involving the proceeds of that fraud. Given that these assets can be easily dissipated by further transactions, including electronic transfer, immediate restraint of all bank accounts and investments in the possession of Federal Express and the United Parcel Service would be appropriate pending further immediate investigation to determine the extent of possible violations. It is requested that the following assets known or suspected to have been involved in the violations be restrained pending further investigation:

- 1) Checking account number 1421255, in the name of Independence 2000 America, Inc., d.b.a. TeleCom 2000 Network, at Southside Bank, Tyler, Texas;
- 2) Checking account number 1422294, in the name of Face to Face Ministries, at Southside Bank, Tyler, Texas;
- 3) Checking account number 1421646, in the name of The Church of Jesus Christ's Disciples, an Unincorporated Church, a.k.a. Christian Disciples International, at Southside Bank, Tyler, Texas; and

- 4) Checking account number 1406175, in the name of Allen Petty, Jr., d.b.a. TeleCom 2000 Network, at Southside Bank, Tyler, Texas;
 - 5) Packages addressed to ALLEN PETTY, JR., a.k.a. AL PETTY, or TeleCom 2000 Network located at Federal Express, 1300 A. East Whaley, Longview, Texas;
 - 6) Packages addresses to ALLEN PETTY, JR., a.k.a. AL PETTY, or TeleCom 2000 Network located at United Parcel Service (UPS), 1709 East Whaley, Longview, Texas.
- Further the affiant sayeth not.


JAMES A. HERSHEY
Special Agent
Federal Bureau of Investigation

Subscribed and sworn to before me this 4th day of April,
2002.


United States District Judge

EXHIBIT

“B”

05/06 '02 11:22

ID:111

FAX:

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P.13

May-05-02 07:11P William J. Peche
4/24/02 9:11 PAGE 1/1

210 349-3305
RightFAX

Bank Name BANK ONE, TEXAS Requestor RUBEN CORTES Operator n4022/p Sched: 4/24/02 9:10:16 Req:1 180573 RON 450918

FaxNo

CheckSerialNumber: 982126941 CheckPaidDate:

BANK ONE TEXAS		OFFICIAL CHECK		982126941	
Purchaser <u>William Peche</u>		Date <u>MARCH 11, 2002</u>			
Pay To The Order Of <u>TeleCom 2000 Network</u>		Amount <u>\$**1,156.29**</u>			
Serial <u>156 DUE 29 CTS</u>		DOLLARS			
		<u>David J. Green</u>			
		DRIFT BANK ONE, NA			

1502200008880681450918 982126941 0000115629

WARNING - DO NOT CASH CHECK WITHOUT NOTING
SECURITY MARK ON BACK.
HOLD AT ANGLE TO LIGHT
TO VERIFY SECURITY MARK.

FOR DEPOSIT ONLY
ACCT. #153790330011

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☒ Rotate Image☐ Original☐ 90°☒ 180°☐ 270°☒ Zoom Image☐ x10%☐ x25%☐ x40%

View Printable Version

☒ Show Fax#☐ Show Address

*Pay to the order of xchange
Receipt Services LLC
FOR DEPOSIT ONLY
ACCOUNT #15379052449*

4870807777 03/05/02 \$50,017.50**
DOLLARS 50,017.50**
CHECK
065
2000 NETWORK *****
10420

Attention: _____

Fax: _____

Address Name: _____

Address 1: _____

Address 2: _____

City, State, Zipcode: _____